Investor's Newsletter（May 27, 2021）

vol. No.6 in 2021

CPIC（SH601601, HK02601, LSE CPIC）

Stock Data (ending Apr. 30, 2021)

Total equity base (in million)	9, 620
A-share	6, 845
H-share	2, 775
Total Cap (in RMB million)	290, 147
A-share	225, 133
H-share (in HKD million)	77, 986
6-month highest/lowest	
A-share (in RMB)	46. 00/31. 28
H-share (in HKD)	41. 45/24. 35
GDR(in USD)	35. 65/22. 90

IR Calendar

May 28, 2021

Annual General Meeting for the Year 2020

Shanghai

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Premium Income (Unit: in RMB million)

	Jan.- Apr.	Changes	Apr.	Changes
P&C	55, 741	9. 77%	12, 449	2. 88%
Life	107, 325	4. 45%	11, 908	9. 08%

Regulatory Updates

● CBIRC steps up regulation of short-term health insurance

Recently, the Life/Health Division of CBIRC issued The Circular on Filing of Wording of Renewals of Short-term Health Insurance. First, the document explicitly bans guaranteed renewals of short-term health insurance, and strictly prohibits the sales of such products as long-term health insurance. Second, it makes higher requirement for information disclosure, and asks insurance companies to disclose the loss ratio of short-term health insurance every half year. Third, it seeks to rectify irregular sales practices, and strictly forbids compulsory product bundling and restrictions on consumer rights to purchase products and services. In the event of withdrawals of short-term health insurance products from the market, insurance companies shall disclose reasons for, and timing of such withdrawals as well as follow-up service. Fourth, it steps up regulation of underwriting and claims management, requiring insurance companies to properly design health declarations, and prohibiting unwarranted rejection of claims applications. Industry experts during media interviews indicated that in the short term, the appeal of short-term health insurance may diminish, and long-term medical insurance may become the mainstream products.

Industry Information

● CBIRC releases information on 2020 insurance solvency status

As of the end of 2020, the available capital of the 178 insurance companies under the review of the Solvency Oversight Committee amounted to 5.1 trillion yuan, an increase of 12.4%; the minimum required capital 2.1 trillion yuan, up 13%; net profits 314.3 billion yuan, a growth of 1%; average comprehensive solvency margin ratio 246.3%, down by 1.4% and average core solvency margin ratio 234.2%, down by 2.5%. The average comprehensive solvency margin ratios of life/health insurance companies, property/casualty insurance companies and reinsurance companies stood at 239.6%, 277.9% and 319.3% respectively.

Results of Integrated Risk Rating indicated an A rating (small risk) for 100 insurers, B (medium risk) for 71 insurers, C (major risk) for 3 insurers and D (severe risk) for 3 insurers.

● Insurance asset under management amounts to 21 trillion yuan in 2020

On April 27, the Insurance Asset Management Association of China released industry statistics for 2020-2021. As of the end of 2020, the AuM of the 27 insurance AMCs and 8 entities with run-off insurance asset management business totaled 21 trillion yuan, an increase of 19%, the highest in the past 5 years. In 2020, the management fees and other income from the 35 managers rose by 27% to 32.1 billion yuan versus 25.2 billion yuan in 2019, maintaining rapid growth for 2 consecutive years. Total headcount of asset management professionals reached 8,254, a growth of 10%, maintaining 3 years of steady growth.

Company News

● CPIC grandly celebrates 30th anniversary and unveils mascot

On May 13, CPIC convened a conference to celebrate its 30th anniversary. LI Qiang, party chief of Shanghai, sent a note of congratulations. CHEN Yin, member of the standing committee of CPC Shanghai and executive vice mayor, attended the conference and made a speech. At the same time, the company unveiled its branding mascot of “Yangyang” and “Baobao”.

● Guangci CPIC Internet Hospital inaugurates

On April 26, the inauguration ceremony of Guangci CPIC Internet Hospital was held in Shanghai, which also marked the debut of the family physician programme jointly developed by CPIC, Shanghai Ruijin Hospital and Sequoia China. The service under the programme will be delivered by in-house medical professionals located in Shanghai, Guangzhou, Chengdu, Tianjin and Hefei, with support from Ruijin Hospital in service standards and training. The team will also consist of experts in nutrition, psychology counselling, rehabilitation, drugs, and fitness, meeting needs for a healthy life through the provision of responsible, smart and caring services.

● CPIC Life launches an anniversary endowment product

On May 9, CPIC Life released a competitive endowment product, Liangquanqimei, on the occasion of the 2021 Anniversary Customer Service Day, which targets existing customers of the “Jin” CI product suite and combines savings of endowment with protection features of CI insurance.

The age of the insured ranges from 0 to 70 years, with flexible payment mode, including single pay, and regular pay of 3/5/9/10/14/15/18/19/20/28/29/30 years. The insurance period expires when customers reach 60/65/70/75/80/85 years old. The basic sum assured is 1,000 yuan. Insurance benefits include both survival benefits and death payment. That is, payment of basic SA on “Jin” product suite and paid-in premiums of Liangquanqimei upon maturity, which will not affect the critical illness coverage of “Jin”; payment of Liangqianqimei’s paid-in premiums or cash value, whichever is higher upon death of the insured under the age of 18, or payment of paid-in premiums*160%/140%/120% or cash value, whichever is higher upon death of the insured above the age of 18.

Q & A

1. Q: Your Q1 report disclosed a decline of 7% of automobile insurance premiums. Why? How do you plan to address this? What is your guidance for the top-line and bottom-line growth of the business for the whole year?

A: The comprehensive reform of automobile insurance was launched on September 19, 2020. The performance of the market over the past half year indicates that the interim targets of “lowering price, expanding coverage and improving quality” set by the regulator have been met to a large extent. Decline of average premium per vehicle and in turn automobile insurance premiums have become a common phenomenon on the market. On the other hand, the mix of the combine ratio also shifted, with expense ratio going down and loss ratio rising considerably, meaning pressure on the underwriting profitability. In time, the proportion of earned premiums from policies post the reform will gradually increase, and the auto insurance market may incur underwriting losses. As for CPIC, we are prepared for the challenge. Coping measures include enhancing customer-oriented operation to improve pricing capability, increasing the use of technology to boost digitalization, accelerating coordination of distribution channels to enhance integrated business operation, stepping up service innovation to enhance customer experience. We hope that through these measures we could outperform the market and achieve underwriting profitability.

2. Q: According to your Q1 report, the net investment yield fell versus that of the same period last year. Why? What is your expectation of interest rates and capital market going forward? Could you elaborate on your asset allocation strategy for the whole year, including fixed income and equity?

A: The net investment yield for Q1 fell by 0.3 percentage points, mainly due to decline of interest income on fixed income investments. In Q2, vaccination has been accelerating globally. In spite of a strong economic recovery around the world, there have been signs of inflation among major economies and the recovery is not evenly distributed. In China, the economic recovery has been on a steady footing, with sustained increase in demand as part of a more favorable environment for economic growth. Statistics of the economy in

April and consumption during the May 1st holiday point to sustained rapid recovery of the economy. Going forward, China's monetary policy will remain steady and prudent, while the expansionary fiscal policy will continue to deliver results. The downward pressure on market interest rates eased compared with last year. However, with population aging and economic slow-down, interest rates will go down in the long term. On the equity market, bubbles were somehow squeezed out in the year beginning, and the market has been moving up and down since then. In H2, we expect some structural opportunities. Against such a backdrop, we will persist in the "dumbbell-shaped" strategy, i.e., enhancing the allocation of long-term interest rate bonds to extend the asset duration, while gradually increasing the share of equity investments including unlisted equity. At the same time, we will reduce credit risk exposure and strengthen credit risk prevention.